

**EMERGENCY MUNICIPAL LOAN ACT (EXCERPT)**  
**Act 243 of 1980**

**141.936 Annual rate or rates of interest; fixed rate; rate calculated upon formula; limitation; payment of interest and principal; delinquency; repayment at earlier date or in fewer installments; prohibited conditions; effect of failure to make repayments; loan as general obligation of municipality; exception.**

Sec. 6. (1) A loan made under this act shall bear an annual rate or rates of interest, if any, as established by the board under section 2(5). The board may establish interest for a loan under this act either at a rate or rates that are fixed for the term of the loan or, if the formula is approved by the board at the time the loan is made or renegotiated as authorized in section 2, at a rate calculated upon a formula that varies the rate annually. If the interest rate for a loan under this act is a single fixed rate, the annual rate of interest for the term of a loan shall not exceed the average rate of interest earned at the time the loan is approved by the board on the investment of surplus funds, other than those surplus funds invested under this act and section 1 of 1855 PA 105, MCL 21.141.

(2) Interest payments are due and payable annually, beginning 1 year after the loan is issued to the municipality. Notes of indebtedness executed to the state by a municipality for a loan made under this act shall not require payment of principal until 10 years after the loan is issued to the municipality. Repayment of the principal shall be made in not less than 10 equal annual installments, except as provided in subsection (5). This subsection, sections 7 and 8, and the conditions listed in section 4(1) do not apply to a loan authorized under section 3(2) or (3).

(3) The loan agreement between the board and a county for a loan authorized under section 3(2) or (3) shall establish the schedule for payment of the principal of and interest on the loan, the nature of the obligation of the county to repay a loan made under this act, and any security for that loan. Payments of principal and interest for a loan authorized by section 3(2) shall be limited to revenues allocated to the county under the health and safety fund act, 1987 PA 264, MCL 141.471 to 141.479, minus those revenues authorized by the board in the loan agreement for use in the payment of other county obligations.

(4) Unless other state appropriations to a municipality are pledged or assigned in an amount sufficient for the municipality to make a required principal or interest payment, if the municipality's payment of required principal or interest is delinquent, the state treasurer shall withhold the amount of all delinquent payments that are due on a loan issued under this act from state payments to the municipality under the state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921.

(5) Notwithstanding the payment schedules and methods established by this section or by the terms of a loan agreement, a municipality may initiate repayment of all or part of a loan made under this act at an earlier date or may make repayment in fewer installment payments, or both. The board shall not condition either eligibility for consideration for a loan or the grant of a loan under this act on repayment schedules and terms other than those required by subsections (1), (2), (3), and (4). In addition, failure of a municipality to make repayments under terms or a schedule it has instituted under this subsection does not disqualify the municipality from eligibility for consideration for loans in subsequent fiscal years.

(6) A loan issued under this act shall be a general obligation of the municipality except that a loan issued under section 3(2) shall not be a general obligation of the municipality and shall be repaid solely from specific revenues pledged for repayment of the loan.

**History:** 1980, Act 243, Imd. Eff. July 24, 1980;—Am. 1980, Act 324, Imd. Eff. Dec. 15, 1980;—Am. 1986, Act 6, Imd. Eff. Feb. 21, 1986;—Am. 1987, Act 282, Eff. Apr. 11, 1988;—Am. 1988, Act 198, Imd. Eff. June 27, 1988;—Am. 1998, Act 528, Imd. Eff. Jan. 12, 1999.